



FACT SHEET

U.S.-Peru Trade Promotion Agreement Texas Farmers Will Benefit

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The U.S.-Peru Trade Promotion Agreement (PTPA) provides increased market access to Texas's agricultural exports by making agricultural trade a two-way street and leveling the playing field with respect to third country competitors in the Peruvian market. With immediate elimination of duties on nearly 90 percent of current U.S. trade to Peru, the PTPA will provide Texas producers and exporters the opportunity not only to preserve but to increase market share in Peru. The American Farm Bureau and over 40 other agricultural industry and farm groups strongly support the agreement stating that the agreement would benefit all U.S. agricultural sectors and allow the United States to become a competitive supplier of agricultural products to Peru.

Exports of farm products boost Texas's farm prices and income. Such exports support about 45,100 jobs both on and off the farm in food processing, storage, and transportation. Agricultural exports amounted to \$3.8 billion and made an important contribution to Texas's farm cash receipts in 2006 that totaled \$16 billion.

Beef. Providing nearly one-half of the state's farm cash receipts (\$7.4 billion) and as the nation's fourth largest exporter of live animals and meat, Texas ranchers and beef industry benefit from the PTPA.

- Peru will immediately eliminate the 25-percent duties (30-percent allowed by the World Trade Organization (WTO)) on the beef products of most importance to the U.S. beef industry – Prime and Choice cuts.
- U.S. exporters of variety meats (offals) will immediately receive duty-free access under a 10,000-ton tariff-rate quota (TRQ) that will grow six percent compounded annually. The 12-percent over-quota tariff will be phased out over ten years.
- Peru will provide immediate duty-free access for U.S. exports of standard quality beef through the establishment of an 800-ton TRQ that will grow six percent compounded annually. The 25-percent over-quota tariff will be phased out over 11 years.
- The United States will phase out its beef tariffs over 15 years except for those tariffs that are already duty-free under the Andean Trade Promotion and Drug Eradication Act (ATPDEA). The PTPA will continue the duty-free treatment.
- Peru agreed to continue to recognize the equivalence of the U.S. meat inspection and certification system to its own system.

- *The American Meat Institute, the National Cattlemen's Beef Association, the National Renderers Association, the U.S. Meat Export Federation, the US Hides, Skin and Leather Association, U.S. Livestock Genetics Export, Inc., and the Pet Food Institute publicly support the PTPA.*

Cotton. As the nation's number one exporter of cotton and with farm cash receipts totaling \$1.9 billion, Texas cotton farmers benefit from the PTPA.

- The PTPA provides for reciprocal elimination of all cotton duties.
- Under the PTPA, Peru will immediately eliminate the 12-percent tariff (30-percent allowed by the WTO) facing U.S. exporters.
- The Peruvian market is worth almost \$50 million to U.S. cotton suppliers.

Poultry and Eggs. Providing the second largest source of the state's farm cash receipts at over \$1.5 billion, Texas poultry producers will benefit from the PTPA.

- Peru will provide immediate duty-free access on chicken leg quarters, which currently faces a 25-percent duty (30-percent allowed by the WTO), through a 12,000-ton TRQ that expands by eight percent compounded annually. Peru will phase out the 25-percent over-quota tariff over 17 years with no reductions during the first eight years.
- Peru will phase out duties on poultry products, such as wings and breast meat, over five years and on mechanically separated meat over two years. Most tariffs on turkey products will be phased out over five years.
- Peru will immediately eliminate duties on live chicks and hatching eggs and will phase out duties on eggs for consumption over ten years.
- Peru agreed to continue to recognize the equivalence of the U.S. meat inspection and certification system.
- *The National Chicken Council, the USA Poultry and Egg Export Council, the National Turkey Federation, the United Egg Association, the United Egg Producers, and the Pet Food Institute publicly support the PTPA.*

Dairy. Providing the fifth largest source of farm cash receipts, Texas dairy producers benefit from the PTPA.

- Under the PTPA, Peru will immediately eliminate its system of variable levies (price bands) facing U.S. exporters. Under the system, tariffs can be as high as the WTO ceiling of 68 percent on some dairy products.
- Peru will immediately eliminate tariffs on whey.
- Both Peru and the United States will establish duty-free TRQs for certain dairy products totaling 10,000 tons.
- TRQs will grow by ten percent compounded annually, with certain dairy products subject to safeguards during the tariff phase-out period.
- All Peruvian duties on dairy products will be eliminated within 17 years, with duties on some dairy products eliminated earlier.

- *The National Milk Producers Federation, the U.S. Dairy Export Council, the Grocery Manufacturers of America, the International Dairy Foods Association, and the Food Products Association publicly support the PTPA.*

Corn. As the nation's tenth largest exporter of feed grains and sixth largest in state farm cash receipts, Texas corn producers benefit from the PTPA.

- Under the PTPA, Peru will immediately eliminate its system of variable levies (price bands) facing U.S. exporters. Under the system, tariffs can be as high as the WTO ceiling of 68 percent on some corn products.
- Peru will provide immediate duty-free access by establishing a 500,000-ton TRQ that grows six percent compounded annually. Peru will phase out the over-quota tariff over 12 years.
- All currently applied duties on crude corn oil will be phased out over three years; on high fructose corn syrup over five years; and on white corn and other corn products within ten years.
- *The Corn Refiners Association, the National Corn Growers Association, the National Grain and Feed Association, the National Grains Trade Council, the North American Export Grain Association, the North American Millers' Association, the American Feed Industry Association, and the Pet Food Institute publicly support the PTPA.*

Rice. With \$105 million in farm cash receipts, Texas rice producers benefit from the PTPA.

- U.S. rice exporters currently face a system of variable levies (price bands system) that result in tariffs as high as the WTO ceiling of 68 percent.
- Peru will immediately eliminate the price band system on imports from the United States.
- Peru will establish a 74,000-ton, zero-duty rice TRQ that will grow six percent compounded annually. All rice types will be eligible for the TRQ with the quantity on a milled-equivalent basis. The over-quota tariff will be phased out over 17 years with no reduction during the first eight years.
- *The USA Rice Federation publicly supports the PTPA.*